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Financial reports and audited financial statements, and reports of the Board of Auditors

Implementation of the recommendations of the Board of Auditors concerning peacekeeping operations

Report of the Secretary-General

Addendum

I. Introduction

1. In its resolution 52/212 B of 31 March 1998, the General Assembly accepted the recommendation of the Board of Auditors contained in the annex to document A/52/753, that progress reports be submitted to the Assembly on an annual basis on measures taken or to be taken in response to the recommendations of the Board of Auditors.

2. The present report has been prepared accordingly. Information is provided on measures taken or to be taken to implement the recommendations contained in the report of the Board of Auditors on the accounts of United Nations peacekeeping operations for the 12-month period ending 30 June 1998[1] that were reported as not having been fully implemented in the report of the Secretary-General on implementation of the Board's recommendations (A/53/932).

3. In preparing the present report, account was also taken of the provisions of General Assembly resolutions 49/216 A of 23 December 1994, in particular paragraphs 9 and 10; 49/216 B, paragraphs 3 and 4; 49/216 C, paragraph 3; 50/204 A of 23 December 1995, paragraph 4; 51/225 of 3 April 1997, section A, paragraph 10; and 52/212 B, paragraphs 3 to 5.

II. Implementation of recommendations contained in paragraph 10 of the Report of the Board of Auditors

4. In paragraph 10 (a) of its report,[1] the Board of Auditors recommended that since the peacekeeping financial statements were intended to recognize expenditure on an accrual basis, the Administration should ensure that all expenditures relating to a financial period are captured in the accounts for more accurate financial reporting.

5. As indicated in the report of the Secretary-General (A/53/932, para. 5), enhancements have been made to the Integrated Management Information system (IMIS) that will allow the Administration to track the issuance of pre-encumbrances and the settlement of letters of assist and to record and monitor related obligations more accurately.

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6. The Office of Programme Planning, Budget and Accounts has informed the Board that it intends to submit a proposal to the General Assembly on the funding requirements for pending claims of troop-contributing countries for which no funds were available in the accounts of the missions concerned. In this connection, the Secretary-General submitted four notes (A/C.5/53/52, A/C.5/53/55, A/C.5/53/56 and A/C.5/53/57) to the Assembly at its resumed fifty-third session indicating his intention to submit final performance information for those missions to the Assembly at its resumed fifty-fourth session. The Accounts Division has reflected the amount of contingent liabilities based on the information supplied by the Field Administration and Logistics Division. The Assistant Secretary-General for Programme Planning, Budget and Accounts is responsible for implementation of this recommendation.

7. In paragraph 10 (b) of its report, the Board recommended that the Administration review $97.4 million in unliquidated obligations to determine its validity and take appropriate action, and that it ensure that certifying officers carry out periodic reviews to confirm that only valid unliquidated obligations are retained in the accounts.

8. This recommendation has been implemented. The Field Administration and Logistics Division and the Accounts Division have reviewed the unliquidated obligations and have taken appropriate action where necessary. The review indicated an overall reduction in the unliquidated obligations amounting to $389,339,000 for the period from 1 July 1998 to 30 June 1999. In certain cases it has been necessary to retain some obligations that would have lapsed but that are still required to meet commitments. A number of these relate to pending litigation and unresolved claims of vendors, as well as ongoing negotiations with Member States on contingent-owned equipment costs. The Assistant Secretary-General for Programme Planning, Budget and Accounts and the Assistant Secretary-General for Planning and Support of the Department of Peacekeeping Operations are responsible for implementation of this recommendation.

9. In paragraph 10 (c), the Board recommended that the Administration carry out expeditious reconciliation of entries rejected by IMIS to ensure prompt and proper adjustment and that payments against the current year's appropriation should not be applied to liquidate prior period obligations.

10. This recommendation has been implemented. Responsibility for charging expenditures against obligations rests with the certifying officer, who has to ensure that obligations are properly recorded. In the financial statements for the period ending 30 June 1999, the Accounts Division has, to the extent possible, ensured that prior period obligations are not used for current period expenditures. Details of expenditures that have been recorded and classified as prior period adjustments in some of the financial statements are also disclosed. The Assistant Secretary-General for Programme Planning, Budget and Accounts and the Assistant Secretary-General for Planning and Support are responsible for the implementation of this recommendation.

11. In paragraph 10 (d) the Board recommended that the Department of Peacekeeping Operations review the generic fair-market value of major equipment as set out in the United Nations Manual on Policies and Procedures concerning Reimbursement and Control of Contingent-owned Equipment of Troop-contributing Countries participating in Peacekeeping Missions, and submit to the General Assembly proposals for revision as appropriate.

12. The General Assembly, in its decision 53/480, requested the Secretary-General to convene the Phase V Working Group in the early part of 2000. The terms of reference of the Working Group include review and validation of the rates of reimbursement, procedures and standards beginning 24 January 2000. The Assistant Secretary-General for Planning and Support is responsible for implementation of this recommendation.

13. In paragraph 10 (e) the Board recommended that the Department of Peacekeeping Operations undertake on-site reviews in peacekeeping missions to validate contingent-owned equipment requirements.

14. Procedures have been put in place for the issuance of monthly verification reports to ensure that the contingent-owned equipment requirements are met. In addition, reports on troop strength are prepared daily and forwarded to Headquarters for monitoring. The Assistant Secretary-General for Planning and Support is responsible for implementation of the recommendation.

15. In paragraph 10 (f) the Board recommended that the Administration conclude memoranda of understanding with the 27 troop-contributing countries in order to comply with established procedures.

16. Of the 30 Member States contributing troops to peacekeeping operations, 9 have chosen the new methodology and all have signed an agreement. With regard to the remaining 21 countries subject to the old methodology for which no memoranda of understanding is necessary, 18 have agreed to the claims in writing, and these agreements have been forwarded to the Office of Programme Planning, Budget and Accounts for approval. The remaining three

countries have yet to accept the amounts proposed for settlement. The Assistant Secretary-General for Planning and Support is responsible for implementation of this recommendation.

17. In paragraph 10 (g) the Board recommended that the Administration review the retroactive application of the new methodology for the reimbursement of contingent-owned equipment and submit proposals to the General Assembly for limiting the additional costs likely to be incurred.

18. The retroactive application of the new methodology was addressed in the report of the Secretary-General on the first full year of implementation of the reformed procedures for determining reimbursement to Member States for contingent-owned equipment (A/53/465). The report of the Phase IV Working Group on Reimbursement of Contingent-owned Equipment (A/C.5/52/39) was reviewed by the Advisory Committee on Administrative and Budgetary Questions (see A/53/944 and Corr.1, para. 19). The Assistant Secretary-General for Planning and Support is responsible for the implementation of this recommendation.

19. In paragraph 10 (h) the Board recommended that the Department of Peacekeeping Operations and the United Nations Disengagement Observer Force ensure compliance with the recruitment procedures established by the Office of Human Resources Management.

20. This recommendation has been fully implemented.

21. In paragraph 10 (i) the Board recommended that the Field Administration and Logistics Division resolve expeditiously the outstanding issues pertaining to the contract for support services at the United Nations Observer Mission in Angola (MONUA) and obtain urgently a performance bond from the service contractor in order to ensure an adequate standard of support services.

22. With regard to bond coverage, the Department of Peacekeeping Operations advised the Procurement Division of the estimated value of work remaining under the contract in support of the Division's efforts to pursue discussions with the contractor. It is understood that the contractor declined to provide a performance bond for remaining work and threatened to cease providing services if the Mission sought to make payment conditional on provision of the bond. Under the circumstances, the Department agreed with the Mission that it was essential that services be continued while the bond was being pursued. The Assistant Secretary-General for Planning and Support is responsible for implementation of this recommendation.

23. In paragraph 10 (j) the Board recommended that the Field Administration and Logistics Division rebid the MONUA rations contract in order to obtain competitive rates and that the contract contain a clause to hold the contractor accountable for poor performance. Also, the Administration should make deductions for unauthorized substitutions and shortfalls in the quality and quantity of the food supplied.

24. The Office of Legal Affairs advised the Department of Peacekeeping Operations that under the contract, the Organization was obligated to pay for food items received, inspected and consumed by the Mission, and that the Mission was not entitled to make any deductions for the contractor's failure to obtain prior authorization to make substitutions. As to the shortfalls in quality, the contract did allow for rejection of items not meeting the specifications. These procedures were followed by the Mission and shortfalls in both quality and quantity were taken into account during the settlement of the invoice. The Assistant Secretary-General for Planning and Support is responsible for implementation of this recommendation.

III. Implementation of recommendations contained in the body of the report

25. In paragraph 12 (a) of its report,[1] the Board of Auditors recommended that the summary statement/schedule of appropriations be included in the financial statements in accordance with paragraph 7 of the United Nations accounting standards.

26. Historically, the schedule of appropriations has been prepared for the regular budget appropriations shown in volume I of the financial statements. As far as peacekeeping statements are concerned, expenditures traditionally have been summarized by broad categories of types of expenditure for each peacekeeping mission. While efforts have been made to incorporate the appropriations in the statements, given the present format of the schedule it is extremely difficult to accommodate such details. The schedule is being reviewed to see how it can be changed in future. It should be noted that for each of the individual peacekeeping fund statements, there is a schedule of expenditures along with the allotment. In the current statements, as requested by the Board, schedules of unpaid assessed contributions for the missions have been included. The Assistant Secretary-General for Programme Planning, Budget and Accounts is responsible for implementation of this recommendation.

27. In paragraph 12 (b) the Board recommended that the note to the financial statements on significant accounting policies include the definition of expenditure.

28. This recommendation has been implemented, and the present financial statements do show the relevant definition of expenditures in the notes pertinent to significant accounting policies.

29. In paragraph 24 the Board recommended that the Administration take action to correctly reflect the advance of $635,000 in the United Nations Peacekeeping Reserve Fund.

30. Action has been taken to record this adjustment in the peacekeeping accounts for the financial period ending 30 June 1999.

31. In paragraph 29 the Board recommended that the Department of Peacekeeping Operations, in consultation with the Office of Programme Planning, Budget and Accounts, make every effort to clear all inter-office voucher amounts that have been outstanding since 1996.

32. This recommendation has already been implemented.

33. In paragraph 33 the Board recommended that a defalcation account be opened for stolen cash until final determination of recovery or write-off is made.

34. The recommendation has been implemented. A sub-account under accounts receivable has been established to capture the information on stolen or lost cash pending final determination. Pending the investigation of circumstances surrounding the loss of cash and the accountability of responsible parties, losses should be considered as accounts receivable. In the specific case of the loss of $35,642 at the United Nations Observer Mission in Georgia, that amount is currently outstanding as accounts receivable pending the final determination as to the responsibility of the contractor providing security to the premises from which the cash was stolen.

35. In paragraph 39 the Board recommended that the Administration additionally disclose in note 9 to the financial statements the value of non-expendable property awaiting write-off action.

36. The Administration is still reviewing the procedures for processing the Property Survey Board cases that the Board of Auditors has already reviewed. The Administration is still considering the feasibility of disclosing non-expendable property awaiting write-off action in the financial statements. The Assistant Secretary-General for Programme Planning, Budget and Accounts is responsible for implementation of this recommendation.

37. In paragraph 43 the Board recommended that the Administration monitor closely the increasing level of procurement for peacekeeping operations, particularly in the areas of airline management and operations, motor vehicles, parts and accessories and logistical support, in view of the general decline in the level of peacekeeping operations.

38. A coherent and responsible policy has been developed for monitoring the level of procurement for peacekeeping missions, particularly in the aforementioned areas. Volume purchase agreements or systems contracts are increasingly sought by the Organization when purchasing top commodities such as vehicles and computers for peacekeeping operations, and procurement requirements continue to be reviewed to identify more items that can be purchased under systems contracts. However, not all procurement requirements lend themselves to systems contracts, such as goods of a perishable nature or in cases where they are precluded owing to the unique circumstances of a particular mission. The Assistant Secretary-General for Planning and Support is responsible for implementation of this recommendation.

39. In paragraph 82 the Board recommended that peacekeeping missions submit cases to local and Headquarters committees on contracts with sufficient lead time to ensure that effective reviews are carried out.

40. The recommendation is concurred with, and every effort will be made to avoid the recurrence of similar events in the future. However, the problem should be viewed in the context of the chronology of events, some of which were outside the control of the Mission, coupled with the fact that the Mission was in its drawdown phase, which left it with very little room to manoeuvre. The Assistant Secretary-General for Planning and Support is responsible for implementation of this recommendation.

41. In paragraph 85 the Board recommended that the Procurement Division review its filing system to facilitate the retrieval of case files and also to provide a clear audit trail.

42. The Procurement Division has made significant progress in developing a centralized filing system by reorganizing its files and reconfiguring its file room. As previously reported, this process should be completed by 31 December 1999. In addition, the Division has already implemented a procedure whereby a log sheet is included in each case file, thus facilitating a clear audit trail of the case file history. The Assistant Secretary-General for Central Support Services is responsible for implementation of this recommendation.

43. In paragraph 90 the Board recommended that suppliers with temporary registration be considered for a second contract only after they have complied with the registration procedure in accordance with the Procurement Manual.

44. A major re-registration exercise began in April 1999, at which time there were more than 1,600 provisional registrants on the Procurement Division's vendor roster. The Division has reduced the number of provisional vendors to less than 850 in the past six months and will continue its efforts to reduce the number of provisional vendors to the minimum level. In particular, provisional vendors that have not responded to the request for registration are being removed or placed in the inactive database after their profiles have been checked individually; thus, vendors will not be awarded a contract without proper registration. The Assistant Secretary-General for Central Support Services is responsible for implementation of this recommendation.

45. In paragraph 104 the Board recommended that the Administration require the contractor to undertake all the tasks set out in the statement of work and that payment be contingent on satisfactory completion of tasks.

46. The services provided under the contract were completed and payments were made accordingly, with due regard to shortfalls in quantity and quality.

47. In paragraph 117 the Board recommended that the United Nations Mission in Bosnia and Herzegovina ensure that all assets are signed for at the time of handover, and that those details are fully recorded on the central assets database.

48. The recommendations are concurred with. In this connection, the field assets control system was developed to permit proper control of the Organization's assets and to ensure uniformity in the management of assets in peacekeeping missions. The field assets control system is intended to provide an auditable chain of accountability for United Nations assets from their initial procurement through their final disposal. The system includes an expendable inventory item prototype module, which is meant to enhance decision-making with regard to issues of procurement, delivery, redistribution, replenishment, storage, write-off and disposal of mission assets. The system will be fully operational in all missions by the end of 1999.

49. In paragraph 120 the Board recommended that MONUA pursue and obtain acknowledgements for all assets transferred to other missions or United Nations agencies and input information regarding the receipt of receiving and inspection reports into the central asset database in the Property Control and Inventory Unit in order to monitor and control the transfer of assets centrally.

50. This recommendation is being implemented in the context of the liquidation of MONUA.

51. In paragraph 128 the Board recommended that for all missions, the Field Administration and Logistics Division ensure that the database accurately reflects both the original and residual values of equipment submitted to the Headquarters Property Survey Board for write-off action.

52. This recommendation has already been implemented.

53. In paragraph 129 the Board recommended that the Field Administration and Logistics Division take action to expedite the clearance of outstanding cases of write-off of non-expendable equipment.

54. With regard to the 19 United Nations Peace Forces cases referred to in the report of the Secretary-General (A/53/932, para. 42), only one case, totalling $11,596, that requires additional research remains to be settled. The Assistant Secretary-General for Planning and Support is responsible for implementation of this recommendation.

55. In order to minimize the time taken to process write-off cases, the Controller has directed peacekeeping missions to submit such cases directly to the Chairman of the Headquarters Property Survey Board.

56. In paragraph 134 the Board recommended that the Field Administration and Logistics Division review the claims in order to make a decision on whether payment should be made.

57. This recommendation is being implemented with due regard to establishing ownership and title to property of individual claimants, as well as ensuring to the extent possible that no other potential claimants exist. The Assistant Secretary-General for Planning and Support is responsible for implementation of this recommendation.

58. In paragraph 137 the Board recommended that the Department of Peacekeeping Operations ensure that before contractors are permitted to start work there is a valid contract.

59. The recommendation is noted. Generally, all contracts entered into in the peacekeeping missions are validated before the contractor commences work based on immediate needs in the mission area. However, care will be taken to ensure that firm arrangements are completed before work commences. The Assistant Secretary-General for Planning and Support is responsible for implementation of the recommendation.

60. In paragraph 140 the Board recommended that the Department of Peacekeeping Operations write to the Governments concerned regarding the need to comply with the terms of the status-of-forces agreement and also raise the matter with the respective permanent missions to the United Nations.

61. On 25 March the Permanent Missions of the Republic of Croatia, Bosnia and Herzegovina, the former Yugoslav Republic of Macedonia and the Federal Republic of Yugoslavia to the United Nations were requested to pursue reimbursement of the claims with their respective Governments. No response from the Governments has been received.

Notes

[1] *Official Records of the General Assembly, Fifty-third Session, Supplement No. 5*, vol. II, chap. II.